

Research Update:

St. Tammany Parish Hospital Service District No. 2, LA GO Bonds Assigned 'A' Rating, Outlook Is Negative

August 4, 2025

Overview

- S&P Global Ratings assigned its 'A' long-term rating on [St. Tammany Parish Hospital Service District No. 2](#) (doing business as Slidell Memorial Hospital, or SMH), La.'s anticipated \$31.5 million tax-exempt series 2025 general obligation (GO) bonds.
- At the same time, S&P Global Ratings affirmed its 'A' SPUR on SMH's outstanding GO debt.
- The outlook is negative.

Rationale

Security

Unlimited ad valorem tax revenue from all taxable property within the district secures the GO bonds. Proceeds from the series 2025 bonds will be used to pay the cost of acquiring, constructing, renovating, and equipping certain health care facilities operated by SMH.

In May 2025, parish district voters approved up to \$51 million in new GO debt authorization to fund various projects. Following the issuance of the series 2025 bonds, the district will have approximately \$20 million of authorized GO debt remaining.

On June 1, 2009, the St. Tammany Hospital Service District entered into a deposit trust agreement (DTA) with the St. Tammany Parish sheriff and tax collector and Hancock Bank N.A., whereby collections from the unlimited ad valorem property tax securing the bonds will flow directly from the tax collector to a trustee for the exclusive benefit of bondholders. By entering into the DTA, the district transfers and assigns all of its right, title, and interest to the sinking fund balance and all bond tax revenue, as collected, to the trust fund. In addition, the St. Tammany Parish sheriff, as tax collector, will deliver and assign to the trustee the bond tax revenue as it is collected and becomes available for remittance. The district can terminate the DTA with 90 days' written notice to the sheriff, the trustee, and S&P Global Ratings. The termination would result in the remittance of all future bond tax revenue directly to the district.

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However, the termination of the DTA does not contain a provision returning the funds in the trust to the district. The DTA may be further amended to include the payment of subsequent issues of GO bonds by the district.

Credit highlights

The rating reflects our view of SMH's leading and growing market position, supported by a strategic partnership agreement (SPA) with Ochsner that was initially entered into in 2016 and amended in 2023, which has supported a very strong operating performance trend. The agreement with Ochsner allows SMH to achieve economies of scale and support in several areas, including group purchasing, revenue cycle management, physician recruitment, and information technology management, and will likely continue to support operations over time. SMH leased Slidell Memorial Hospital (SMH East) from Ochsner and consolidated operations halfway through fiscal 2023. The integration of SMH East, which is two miles from SMH, has further strengthened SMH's market share, and its affiliation with Ochsner should allow it to more efficiently execute on market initiatives in the growing and economically favorable service area of St. Tammany Parish, which is north of New Orleans and Lake Pontchartrain.

The rating additionally reflects our view of SMH's multiyear trend of positive operating performance that has generated growing pro forma maximum annual debt service (MADS) coverage. Recent results have been supported by successful integration of SMH East, as well as operational efficiencies achieved with support from Ochsner. Operations through the six-month interim period ended June 30, 2025, reflect continued profitability, as SMH has been able to reduce its agency labor costs and maintain volumes. SMH management anticipates further improvement by fiscal year-end 2025 (Dec. 31), due in part to expected volume growth and successful physician recruitment. We view management's expectations as reasonable, given its meaningful expansion within the market with effective integration of operations at SMH East. Ochsner is compensated for services it provides under the SPA, though we understand the timing of most cash payments is flexible under the agreement.

Contributing to the negative outlook is SMH's pressured balance sheet metrics because of its expanded expense base with SMH East, as well as the consideration of a material lease liability in our calculation of total debt related to SMH East in fiscal 2023. We note SMH's unrestricted reserves fluctuate throughout the year given cash payments to Ochsner, with an average of 125 days' cash on hand (DCOH) in fiscal 2024. Unrestricted reserves as of June 30, 2025, represent a high point on SMH's cash cycle and we anticipate its days' cash on hand at the end of the year will be closer to prior year-end levels, which are light for the rating. Management anticipates issuing the remainder of the authorization in the next 18 months at the earliest, depending on the progress of construction during the first phase of its bond-funded projects. The second issuance could further pressure balance sheet metrics, and maintenance of the current rating would require continued robust operating profitability and solid cash flow.

We view the parish's diversified and growing assessed valuation (AV) and historically healthy collection rate as rating positive, with the collected taxes fully paying the GO debt's annual debt service. We have incorporated this into the long-term rating via favorable notching to the anchor rating.

The 'A' rating reflects our view of the hospital's:

- Leading market position in its service area supported by expanded operations at SMH East;
- SPA with Ochsner, which has supported operational alignment and efficiencies; and
- Trend of positive operating results, supporting solid MADS coverage.

Partly offsetting the above strengths, in our view, are the hospital's:

- Weakened debt profile, with the remaining authorization likely to be issued during the outlook period;
- Relatively weaker balance sheet compared with those of its peers, also limited in growth by payables due to Ochsner; and
- Smaller service area population, as reflected in its more limited revenue base and exposure to supplemental funding.

Environmental, social, and governance

We view SMH's physical environmental risks as elevated within our credit rating analysis, given its location in markets that have been historically prone to severe weather-related events, particularly hurricanes and flooding. While SMH has organization-wide policies and procedures in place to implement in the event of an impending hurricane, which helps minimize disruption to its overall operations, we believe these weather events create some uncertainty for the organization's credit profile.

We view SMH's governance factors as neutral to the rating. That said, the parish appoints most of the board of directors and the board is not self-perpetuating, which we consider a best practice. We note that this structure has not hampered SMH's ability to execute its strategies.

Finally, we view SMH's social factors as neutral in our credit analysis.

Outlook

The negative outlook reflects our view of SMH's constrained pro forma balance sheet, which has limited capacity for additional debt absent continued healthy operating results and a higher unrestricted reserve baseline.

Downside scenario

We could lower the rating over the outlook horizon should SMH experience any decline in operating performance from interim 2025 levels, coupled with a failure to grow year-end unrestricted reserves concurrent with moderating payables due to Ochsner. Although unexpected, any significant deterioration in the business position would also pressure the rating.

Upside scenario

We could revise the outlook to stable should SMH's operating performance be sustained at or above interim 2025 levels with an improved unrestricted reserve position allowing for the accommodation of additional debt at the rating. Though we understand SMH's reserve position fluctuates from month to month, days' cash on hand must remain above than year-end 2024 levels to maintain the rating.

Credit Opinion

Enterprise Profile: Strong

Leading market position in a smaller, yet growing, primary service area, supported by an agreement with Ochsner

The district is located within St. Tammany Parish in southern Louisiana, approximately 25 miles north of New Orleans and part of the New Orleans-Metairie metropolitan statistical area, with an estimated primary service area (PSA) population of around 115,000 (compared with the total parish's population of approximately 276,000). Its population has continued to grow amid development and economic growth. We expect AV will continue to trend upward due to this development and should support the hospital's tax. We view the district's tax support as a material rating strength and have positively adjusted our anchor as a result.

While the broader New Orleans market is competitive, SMH has historically maintained a leading market share, due in part to SMH's relationship with Ochsner. The SPA provides a way for the two organizations to work close together and efficiently provide and expand services for the district through joint management, strategy, and oversight committee, while helping manage costs and improve overall quality of care. The SPA allows for combined planning for physician recruitment and in developing clinical strategies for the two organizations. Taxes used to pay GO debt service are not part of that SPA.

Incorporation of SMH East grows market position, with streamlined governance and control of market strategies

SMH expanded its operations at SMH East in July 2023, and fiscal 2024 was the first full year of integrated operations in both facilities. Management plans to further utilize the facility to provide key services to the area and further rationalize offerings across the two campuses; outpatient clinics are also covered under the SPA. We have observed a meaningful increase in market share as well as volume growth, which we expect will continue. Management also indicates SMH East's payor mix has been accretive, with a higher commercial mix. We believe expanded operations and support from Ochsner will ensure that SMH will more efficiently execute and benefit from enterprise strategies for the service area.

St. Tammany Parish Hospital Service District No. 2, Louisiana--enterprise statistics

	--Six months ended June 30--	--Fiscal year ended Dec. 31--		
	2025	2024	2023	2022
PSA population	N.A.	116,483	116,483	115,598
PSA market share (%)	N.A.	62.2	62.2	51.7
Inpatient admissions	6,544	13,147	10,304	8,693
Equivalent inpatient admissions	19,349	37,890	30,990	25,247
Emergency visits	29,506	62,683	50,043	40,190
Inpatient surgeries	1,133	2,382	1,804	1,414
Outpatient surgeries	3,679	7,544	6,639	2,490
Medicare case mix index	1.6100	1.6100	1.6100	1.6600
FTE employees	658	646	987	1,106
Active physicians	296	296	277	252

St. Tammany Parish Hospital Service District No. 2, Louisiana--enterprise statistics

	--Six months ended June 30--	--Fiscal year ended Dec. 31--		
	2025	2024	2023	2022
Top 10 physicians admissions (%)	N.A.	N.A.	N.A.	N.A.
Based on net/gross revenues	Gross	Gross	Gross	Gross
Medicare (%)	58.3	56.9	56.5	56.6
Medicaid (%)	11.9	12.9	14.0	15.0
Commercial/Blues (%)	28.0	28.3	28.2	26.8

Inpatient admissions exclude normal newborn, psychiatric, rehabilitation, and long-term care facility admissions. PSA--Primary service area. FTE--Full-time equivalent. N.A.--Not available. MNR--Median not reported.

Financial Profile: Adequate

Trend of operating improvement

SMH's financial performance during the last few fiscal years has demonstrated results stronger than expected, due in part to successful integration of operations at SMH East starting at midyear 2023, as well as the efficiencies realized through the partnership with Ochsner. Operations through the six-month interim period ended June 30, 2025, exceeded management's budgeted 2.4% operating target, inclusive of tax revenue per our practice, given solid volume trends and operational efficiencies. Management anticipates favorable results at fiscal year-end 2025, which we view as reasonable given SMH's trend of exceeding expectations and ongoing financial and operation support from Ochsner. That said, SMH does receive a material amount of supplemental funding, totaling more than \$55 million in fiscal 2024. Under the recently passed U.S. tax and spending bill, Medicaid expansion states like Louisiana will see decreasing provider tax caps beginning in 2028, along with incremental declines in directed payments relative to Medicare spending. We will monitor SMH's plans to address this pressure, along with any state actions, in subsequent reviews.

While SMH is obligated to make administrative fee payments to Ochsner as part of the SPA agreement, we understand these transfers are largely a result of positive operating performance under the operating agreement and the timing of such payments are flexible.

Our view of MADS includes the GO and revenue bonds, as well as annual lease payments for the SMH East facility. Pro forma MADS coverage has improved in line with operations, and we note that the debt service schedule is front-loaded and that all outstanding debt matures within 20 years.

Larger expense base inclusive of SMH East provides limited reserve flexibility

SMH's unrestricted reserves have remained stable in recent years, but due to its overall limited growth and expanded expense base, days' cash on hand (DCOH) has declined materially during the last few years. That said, DCOH averaged approximately 125 in fiscal 2024, but fluctuated month-to-month due to the cash payments due to Ochsner throughout the year, with year-end at the low point of 89 days; funds due to Ochsner totaled \$29 million at year-end fiscal 2024, down from \$57 million the previous year. The inclusion of the SMH East lease and initial series 2025 debt in our calculation of unrestricted reserves-to-debt is below 100%, with further decline

St. Tammany Parish Hospital Service District No. 2, LA GO Bonds Assigned 'A' Rating, Outlook Is Negative

possible given unrestricted reserves reflect a high-point during the last year, and uncertainty regarding the timing for the remainder of the authorized debt.

SMH's bond-designated projects include the expansion of SMH's emergency department, updates to MRI, CT, and radiology capabilities, updates to the women's and infant services, among other clinical needs. Capital projects at SMH East, include updates to its women's and infant services will be done in collaboration with Ochsner, as they are responsible for the plant, with SMH responsible for equipment. We anticipate only moderate capital spending outside of bond-funded projects.

Debt position has capacity to absorb additional debt

SMH plans to issue the remainder of the authorized debt as early as the next year-and-a-half, depending on the timing of the project's construction. The series 2025 bonds increase pro forma leverage to 45%, and full issuance of the authorization would increase leverage to 48%, which could further pressure the credit should operations and reserves deteriorate.

Though the overall debt structure is predominantly fixed-rate debt, SMH has several series of debt that are directly placed with banks, including GO debt. There are neither additional covenants nor events of default attached to the bonds held by the banks, nor any tender or expiration dates with the banks, so we don't view those bank-placed bonds as contingent. Separately, SMH's hospital revenue bonds (unrated) outstanding are secured by the net income, revenue, and receipts of SMH.

The hospital district does not offer a defined-benefit pension plan and does not provide other postemployment benefits (OPEB), which we view favorably.

St. Tammany Parish Hospital Service District No. 2, Louisiana--financial statistics

	--Six months ended June 30--	--Fiscal year ended Dec. 31--		Medians for 'A' rated stand-alone hospitals	
	2025	2024	2023	2022	2023
Financial performance					
Net patient revenue (\$000s)	180,256	365,246	311,533	236,988	647,105
Total operating revenue (\$000s)	204,347	404,188	348,746	258,644	694,948
Total operating expenses (\$000s)	196,895	395,180	343,516	256,079	710,876
Operating income (\$000s)	7,452	9,008	5,230	2,565	4,549
Operating margin (%)	3.65	2.23	1.50	0.99	0.80
Net nonoperating income (\$000s)	2,465	8,486	6,887	2,021	11,345
Excess income (\$000s)	9,917	17,494	12,117	4,586	9,724
Excess margin (%)	4.80	4.24	3.41	1.76	2.00
Operating EBIDA margin (%)	9.26	7.81	6.48	5.81	6.50
EBIDA margin (%)	10.34	9.70	8.29	6.54	8.30
Net available for debt service (\$000s)	21,379	40,037	29,498	17,038	42,030
Maximum annual debt service (\$000s)	16,675	16,675	16,675	16,675	15,231
Maximum annual debt service coverage (x)	2.56	2.40	1.77	1.02	3.40
Operating lease-adjusted coverage (x)	2.56	2.40	1.77	1.02	2.80
Liquidity and financial flexibility					
Unrestricted reserves (\$000s)	147,852	91,970	108,212	91,406	315,109

St. Tammany Parish Hospital Service District No. 2, Louisiana--financial statistics

	--Six months ended June 30--	--Fiscal year ended Dec. 31--		Medians for 'A' rated stand-alone hospitals	
	2025	2024	2023	2022	2023
Unrestricted days' cash on hand	143.6	88.7	119.8	136.0	200.6
Unrestricted reserves/total long-term debt (%)	126.4	74.1	81.9	161.1	204.4
Unrestricted reserves/contingent liabilities (%)	N.M.	N.M.	N.M.	N.M.	987.4
Average age of plant (years)	10.5	11.1	12.6	15.1	13.1
Capital expenditures/depreciation and amortization (%)	122.3	154.2	181.3	138.1	130.7
Debt and liabilities					
Total long-term debt (\$000s)	122,961	124,134	132,196	56,727	198,941
Long-term debt/capitalization (%)	39.2	43.4	47.8	30.0	25.6
Contingent liabilities (\$000s)	0	0	0	0	53,213
Contingent liabilities/total long-term debt (%)	0.0	0.0	0.0	0.0	22.5
Debt burden (%)	4.03	4.04	4.69	6.40	2.30
Defined-benefit plan funded status (%)	N.M.	N.M.	N.M.	N.M.	98.40
Pro forma ratios					
Unrestricted reserves (\$000s)	147,852	N.A.	N.A.	N.A.	MNR
Total long-term debt (\$000s)	148,495	N.A.	N.A.	N.A.	MNR
Unrestricted days' cash on hand	143.60	N.A.	N.A.	N.A.	MNR
Unrestricted reserves/total long-term debt (%)	99.57	N.A.	N.A.	N.M.	MNR
Long-term debt/capitalization (%)	45.05	N.A.	N.A.	N.A.	MNR
Miscellaneous					
Medicare advance payments (\$000s)*	N.A.	N.A.	N.A.	N.A.	MNR
Short-term borrowings (\$000s)*	N.A.	N.A.	N.A.	N.A.	MNR
COVID-19 stimulus recognized (\$000s)	N.A.	N.A.	N.A.	N.A.	MNR
Risk-based capital ratio (%)	N.A.	N.A.	N.A.	N.A.	MNR
Total net special funding (\$000s)	30,902	56,456	49,441	39,222	MNR

Inpatient admissions exclude normal newborn, psychiatric, rehabilitation, and long-term care facility admissions.

*Excluded from unrestricted reserves, long-term debt, and contingent liabilities. N/A--Not applicable. N.A.--Not available. MNR--Median not reported. N.M.--Not Meaningful.

Credit Snapshot

- Group rating methodology: Not applicable.
- Organizational profile: Slidell Memorial Hospital operates a 175-staffed-bed community-based main hospital and a 36-staffed-bed community hospital at SMH East, both offering a wide variety of acute-care services within the St. Tammany Hospital District service area. The hospital employs a small portion of its 277-member medical staff.

Ratings List

New Issue Ratings

St. Tammany Parish Hospital Service District No. 2, LA GO Bonds Assigned 'A' Rating, Outlook Is Negative

Ratings List

US\$31.5 mil GO bnds ser 2025 due 03/01/2045	
Long Term Rating	A/Negative
Ratings Affirmed	
Healthcare	
St. Tammany Parish Hosp Svc Dist #2, LA Unlimited Tax General Obligation	A/Negative

The ratings appearing below the new issues represent an aggregation of debt issues (ASID) associated with related maturities. The maturities similarly reflect our opinion about the creditworthiness of the U.S. Public Finance obligor's legal pledge for payment of the financial obligation. Nevertheless, these maturities may have different credit ratings than the rating presented next to the ASID depending on whether or not additional legal pledge(s) support the specific maturity's payment obligation, such as credit enhancement, as a result of defeasance, or other factors.

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